Government of
Saskatchewan

Annual Report

1999

Saskatchewan Milk Control Board

SIXTY-FIFTH ANNUAL REPORT

FOR THE TWELVE MONTHS

ENDED DECEMBER 31, 1999

SASKATCHEWAN MILK CONTROL BOARD

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SASKATCHEWAN MILK CONTROL BOARD

Honourable Roy Romanow
President of the Executive Council
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Sixty-Fifth Annual Report of the Saskatchewan Milk Control Board, together with the financial statements for the year ended December 31, 1999, pursuant to the Provisions of Section 27 of *The Milk Control Act, 1992.*

Respectfully submitted,

THE MILK CONTROL BOARD

Leo Fuhr

Leo Fuhr
Chairman

SASKATCHEWAN MILK CONTROL BOARD

BOARD MEMBERS

The Board is comprised of five members appointed by the Lieutenant Governor-in-Council. The Board members are:

CHAIRMAN

Mr. Leo Fuhr, Langenburg

MEMBERS

Mr. Stan Barber, Regina
Mr. Leonard Blocka, Prince Albert
Dr. David Christensen, Saskatoon
Mrs. Lee Ann Tessier, Birch Hills

OBJECTIVES AND ORGANIZATION

The Milk Control Board is a body corporate established pursuant to *The Milk Control Act, 1992*. The Board plays a key role in the establishment and administration of Saskatchewan's dairy policy. It works closely with producers, processors and government agencies to develop policies which provide efficient producers of milk the opportunity to obtain a fair return for their labour and investment, while providing consumers with an adequate supply of good quality dairy products at a reasonable price. The Act empowers the Board to make regulations or orders relating to the production, supply, pricing or sale of milk and to inquire into or conduct hearings pertaining to any of the foregoing. The Act also allows the Board to enter into contracts and other agreements that the Board considers appropriate to carry out the objectives.

The Board works closely with the dairy industry and strives to balance and serve the interests of all dairy stakeholders--producers, processors, consumers and government. The Board provides a framework for the federal/provincial Milk Marketing Plan and Western Milk Pooling Agreement that is critical given the shared jurisdiction in the industry.

During the past sixty-five years, the policies and regulations advanced by the Milk Control Board have become increasingly complex. During this same period, the dairy industry has experienced major rationalization and centralization which has resulted in the loss of processing activity and employment in many centres in Saskatchewan.

INTRODUCTION

A lot has been said about change in Saskatchewan's dairy industry. So much so, that tried and true consistency has not really received the respect it deserves. Without doubt, there will be new opportunities developed in the coming years. But ultimately, anything new must better serve all of us if it is to have lasting value.

There were two significant changes for Saskatchewan in 1999. These were the change from a volume-based quota to butterfat-based quota and the adoption of Multiple Component Pricing (M.C.P.) for all industrial milk. On August 1, 1999, the Milk Control Board converted all total yearly production quotas from kilograms of milk to kilograms of butterfat. To accommodate this, a uniform conversion factor of 3.63 kilograms of butterfat per hundred kilograms of total production milk quota was applied to all quota holders. The M.C.P. system was implemented on August 1, 1999 to accommodate a more market responsive pricing system. The underlying concept of M.C.P. is that each producer's gross milk return is based on the amount of milk components sold for industrial milk and processors pay for the components they require. These changes generated new opportunities and challenges to Saskatchewan's dairy industry. This change in pricing was consistent with similar developments that occurred elsewhere in the Canadian dairy industry throughout the 1990's. As a Board, we commend the producers and processors for their support in providing a smooth transition to these changes.

During 1999, the Board and the Canadian Dairy Industry awaited the results of the World Trade Organization (W.T.O.) challenge initiated by the United States and New Zealand on Canadian dairy export practices, and by the United States on the rules governing the importation of fluid milk. The report by the W.T.O. Panel indicated that Canada was in violation of its export subsidy commitments and the administration of Tariff Rate Quotas (T.R.Q.) for fluid milk. While Canada lost its case on both issues before the Panel in July, 1999, the Canadian government appealed the Panel's decision. The appeal challenged the findings of the W.T.O. Dispute Settlement Panel regarding Special Class pricing.

On October 13, 1999, the World Trade Organization Appellate Body released its report. Canada was successful in overturning the effect of the Panel ruling on the fluid milk T.R.Q. However, a change is required involving the $20 limit for the importation of dairy products. This means

Canada can continue to limit imports of fluid milk to cross-border purchases by Canadian consumers.

In regard to the export of special class milk, the W.T.O. Appellate Body confirmed the Panel ruling that some segments of Canada's Special Class system constitute an export subsidy. They went on to support the ruling that the payments were financed by virtue of government action through Marketing Boards and Agencies.

The Appellate Body findings have no direct impact on supply management for the domestic market, but will restrict the activities of Marketing Boards and government agencies in export markets. The Board recognizes that with the Appellate Body ruling, there will be required changes to how the system operates. To accommodate this, the Board will participate in activities to develop and strengthen the industry infrastructure to meet the ruling of the W.T.O. Appellate Body.

The Board members are cognizant of the concerns of Saskatchewan producers and processors regarding the significant impact being imposed on the Canadian dairy industry from the W.T.O. decision as well as from other domestic sources. As we continue to shape our own future, all of the activities of the stakeholders must continue to be reviewed and adjusted in line with the changing needs of the total provincial and Canadian dairy industry.

The Board continued to ensure representation and input from all sectors of Saskatchewan's dairy industry in its decision making processes through its Advisory Committees. The Board members and Advisory Committees devoted considerable attention during the past year to analysis of the implications of various forces on the national, regional and provincial industries and the development of alternative strategies which will maintain and promote a strong, viable dairy industry in Saskatchewan. Since change is inevitable, the Board has sought to manage the changes within its jurisdiction to optimize the benefits to the Saskatchewan dairy industry and its consumers.

MILK PRODUCTION AND UTILIZATION

There are two marketing structures for milk in Canada. The federal government's authority to regulate the marketing of fluid milk is delegated to the provinces. The Canadian Dairy Commission, a federal crown corporation, collaborates with the provinces in the administration of the supply management system for industrial milk.

Each province in Canada regulates the production and manufacturing of milk within its own borders and sets pricing procedure, quota policies and other regulations. Marketing activities related to industrial milk which was manufactured into products that were shipped across provincial boundaries, were carried out according to the terms and conditions of a federal-provincial agreement, the National Milk Marketing Plan.

The year under review saw an increase in milk marketed by Saskatchewan milk producers. Producers shipped 210,369,201 kilograms of milk to the fluid milk pool in 1999. This represented an increase of 2.0 million kilograms, or a 0.97% increase from the previous year (Table III). Producers received a total value of $116,196,428 in 1999, which represented a 2.75 percent increase from 1998.

The average number of milk producers decreased 6.51 percent from 430 in 1998 to 402 in 1999. The average daily shipment per producer increased from 1,327 to 1,434 kilograms per day, an increase of 8.06% (Table III). Although the total milk production increased, Class 1 milk, or milk processed in Saskatchewan for fluid consumption decreased and accounted for 84,710,061 kilograms of milk in 1999, a decrease of 8,117,542 kilograms or 8.74 percent compared to 1998. This decrease in milk processing within Saskatchewan reflects the realignment of milk processing within the Western Region under the Western Milk Pooling Agreement. Some milk processed and sold in Saskatchewan was brought in by processors from the adjoining provinces.

The Canadian dairy industry operates on butterfat quotas and on a "dairy year" basis which runs from August 1 to July 31 of the following year. In Saskatchewan, producers shipped a total of 7,524,333 kilograms of butterfat during the 1998-99 dairy year (Table IV), representing a utilization of approximately 99 percent of the provincial yearly quota allotment. The average butterfat test on all milk was 3.60 percent per hundred kilograms, a slight increase from the 3.59 percent average from the previous year (Table V).

In August 1999, the Board allocated all of the province's total yearly milk quota to milk producers. Based on production levels from August 1, 1999 to December 31, 1999 and quota allocated to producers, the Board determined that the province's total yearly butterfat quota allotment of 7,554,198 kilograms of butterfat would be fully utilized by approved milk producers during the 1999-2000 dairy year.

PRODUCER POOLS

The Saskatchewan fluid milk pool successfully completed its twenty-fourth year of operation.

The Board maintained a single milk pool system for both fluid and industrial milk. Under pooling, the Board has the responsibility for purchasing all milk from registered milk producers and selling it to the processors. Each producer was allocated a quota based on Saskatchewan's quota policy and designed to meet the province's quota needs.

Multiple Component Pricing (M.C.P.) was implemented in Saskatchewan on August 1, 1999. This decision was in keeping with commitments made by Saskatchewan when the Western Milk Pooling Agreement was signed in 1997. To assist with the change, each active milk producer in Saskatchewan received income comparisons of their farm for the 1997-98 dairy year and monthly comparisons for the 1998-99 dairy year. The comparisons outlined the actual income received and the estimated income that would have been received under the new quota and M.C.P. system. With M.C.P. there should be greater equity among producers and processors. Also, because of the increased trend to low-fat dairy products, there is a need to place new emphasis on protein and other milk solids. Under M.C.P. producers will receive the true value of the total solids in the milk they supply and processors will pay according to the components they receive. For example, more protein in the milk enables processors to obtain a higher cheese yield and therefore price the milk accordingly.

Under the new payment system, producers will recognize that protein and other solids are being valued and it is expected that protein will continue to increase in value in relation to butterfat. Overall, M.C.P. should provide a mechanism for the dairy industry to be more market responsive as the demand for various components continue to evolve in the future.

The price of Class 1 milk was decreased by 98 cents per hectolitre on two occasions, February 15, 1999 and August 1, 1999. These milk price decreases lowered producer returns on Class 1 milk from $63.81 to $61.85 per hectolitre. The price decreases were triggered by the Alberta pricing formula, the pricing mechanism agreed to by the provinces participating in the Western Milk Pool. The price decrease was due primarily to lower feed costs.

At the Federal level, the Industrial Target Return Formula price (Classes 2 to 5) was increased on one occasion, February 1, 1999. As of this date, the support price for skim milk powder increased from $4.4310 to $4.5247 per kilogram and for butter from $5.3927 to $5.4667 per kilogram. The following increases were included in the support price calculations: $0.76 per hectolitre market adjustment to producers for the reduction in dairy subsidy effective February 1, 1999, as well $0.09 per hectolitre to recover a shortfall in revenue associated with the dairy subsidy pass-through, and $0.27 per hectolitre cost of production increase to producers for milk containing 3.6 kilograms of butterfat. There was no change to the assumed processor margin as a result of this decision.

In August 1995, dairy stakeholders implemented Special Class milk pricing and pooling. This has been designed to better accommodate the dairy industry and the World Trade Organization. This allowed dairy processors and other food processors to remain competitive on domestic and global markets.

This pooling system is administered by the Canadian Dairy Commission and provides milk to food manufacturing processors and exporters at competitive prices. Returns for the milk sold as Special Class milk are pooled among all dairy producers in the nine provinces which are signatories to the National Milk Marketing Plan.

Under the second pooling arrangement, known as the Western Milk Pool, the revenue from all milk sales (fluid and industrial) is pooled among the producers of British Columbia, Alberta, Saskatchewan and Manitoba. The agreement generates new opportunities, new challenges, greater industry and greater flexibility for processors in the four western provinces. It ensures producers a more predictable and stable environment and allows processors to rationalize their plants to improve efficiency and competitiveness.

During 1999, the Saskatchewan dairy industry continued to adapt to the new pooling structure in Western Canada.

The distribution of dairy units and average quota allocation are depicted in Table I.

TABLE I (Unaudited)

FARM TYPE AND QUOTA ALLOTMENT, 1998 & 1999 (AUG. 1)

	1998 Daily Quota		1999 Daily Quota	
	Number	Ave. (kg.)	Number	Ave. (kg.)
Single Proprietor	199	940	197	1,029
Limited Company	54	1,865	57	2,314
Colony	49	1,886	50	2,004
Partnership	133	1,374	98	1,386
Total	435	1,294	402	1,420

MARKETING AND TRANSPORTATION

At year-end, the Board marketed milk to three Saskatchewan processing plants, one fluid plant, one combination (fluid/industrial) and one industrial milk plant located in Saskatchewan.

Transporters of raw milk continued to restructure raw milk pick up to increase efficiency. The average basic rate remained constant during 1999 (Table IX). In 1999, the cost to transport the 210,369,201 kilograms of milk marketed amounted to $4,103,247.98, or an average of $1.95 per hundred kilograms. Under the regulations of the pool, producers were charged haulage to the nearest milk processing plant that existed when the dairy enterprise was established.

In response to plant closures, the Board and industry stakeholders agreed that when a milk producer is affected by a plant closure, the following would apply:

1) Any producer whose trucking rate is greater than the provincial average would continue to have his monthly trucking calculated on the same distance factor as if the plant had not closed.

2) Any producer in the affected area whose trucking rate was below the provincial average would have his rate increased one year later to the provincial monthly average for the preceding months.

The transportation cost comparison is depicted in Table II.

TABLE II (Unaudited)

TRANSPORTATION VOLUMES AND RATES, 1989 - 1999

Year	Volume Transported (kg)	Average Rate $/Per 100 kilogram
1999	210,369,201	1.95
1998	208,339,287	1.95
1997	212,147,426	2.17
1996	202,916,979	2.16
1995	210,811,203	2.14
1994	205,056,638	2.09
1993	201,186,781	2.07
1992	210,966,378	2.07
1991	211,695,642	2.07
1990	218,332,205	1.99
1989	220,019,313	1.85

The Board acknowledges and appreciates the commitment of bulk milk transporters in achieving an efficient transportation system.

MILK CONTROL BOARD ACTIVITIES

The Board members strive to accommodate the interests of producers, processors and consumers as well as other industry stakeholders.

During 1999, there were no changes in the Board structure. The Board held six meetings during the year. Board members also spent numerous days attending various committee meetings, as well as maintaining contact with local milk committees, producers and industry organizations.

The Milk Control Board held twelve district meetings in 1999. These meetings provided producers with information on current issues regarding Western Milk Pooling, Multiple Component Pricing, quota transfer policies, quota swapping and other issues the dairy industry should consider. The information obtained from these meetings assisted the Board and Advisory Committees in developing the appropriate policies and procedures for Saskatchewan's dairy industry.

The Board members, together with members of the Quota Advisory Committee, attended four meetings of the Canadian Milk Supply Management Committee. The Board members also served on the negotiating subcommittee and Secretariat to the C.M.S.M.C.

During 1999, the Board's Western Milk Pool Coordinating Committee participated in five meetings.

Over the past year communications with producers have received a high priority to address the broad range of changes regarding producers. It has been especially important to keep producers abreast of developments and to respond to inquiries as the industry adjusts to new quotas, pricing and World Trade rules. The Saskatchewan Milk Control Board's monthly newsletter is a publication that strives to provide information in a timely and concise manner. It serves to keep stakeholders informed of developments pertaining to marketing and other issues. Feedback indicates that this has been effective in improving the communication link between the Board and producers.

The Board gratefully acknowledges the contributions of committee members, and is indebted for the advice, support and cooperation extended to it by all sectors of the dairy industry.

At year end, there were six people on the Board's permanent staff. The Board wishes to thank all of the staff for their hard work and loyalty during another very busy year.

LEGISLATION

The pricing of milk for fluid purposes is a Board responsibility. The Board's primary objective is to provide efficient producers and processors with a fair return to labour, management and investment. The Federal Government has jurisdiction over the industrial milk pricing, administered through a federal-provincial agreement known as the National Milk Marketing Plan.

The following is an outline of the main price changes implemented by the Board during 1999.

In Board Order 643, effective February 1, 1999, the price structure was revised in the industrial milk production sector. The prices for Classes 2 to 4 were increased by $1.08 per hundred kilograms reflecting some additional phase out of subsidies. These changes provided producers with an increase of $0.26 per hundred kilograms.

In Board Order 644, effective March 1, 1999, the price structure was revised in the fluid milk sectors. The producer price for Class 1 milk was decreased by $0.95 per hundred kilograms.

In Board Order 652, effective October 1, 1999, the price structure was revised in the fluid milk sectors. The producer price for Class 1 milk was decreased by $0.95 per hundred kilograms.

Special Milk Classes were established on August 1, 1995, to provide milk to other food processors and exporters at competitive prices, consistent with Canada's commitment under the trade agreements. The Special Class Pooling Agreement includes all nine participating provinces. Prices of Special Class Milk components are uniformly adjusted across the nine provinces on a regular basis.

BOARD FINANCES

Financing of the operation of the Board was derived from assessment fees levied on producers and processors, processor license fees and interest on investments.

THE MILK CONTROL BOARD OF SASKATCHEWAN, MANAGEMENT REPORT 1999

The management of The Milk Control Board of Saskatchewan is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. It is the responsibility of management to prepare financial statements in accordance with generally accepted accounting principles in Canada.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

The financial statements have been audited by the Provincial Auditor of Saskatchewan. The report to the Members of the Legislative Assembly, stating the scope of the examination and opinion on the financial statements, appears on the following page.

The financial statements have been examined and approved by the Board.

Gerry Gartner
Chief Executive Officer
Regina, Saskatchewan
March 17, 2000

J.A. Frass
Administrative Officer

MILK CONTROL BOARD

FINANCIAL STATEMENTS

For the Year Ended December 31, 1999

Provincial Auditor Saskatchewan

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Regina, Saskatchewan
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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Milk Control Board as at December 31, 1999 and the statements of revenue, expenses and net assets, and cash flows for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelioff

Regina, Saskatchewan
March 17, 2000

Wayne Strelioff, CA
Provincial Auditor

MILK CONTROL BOARD
BALANCE SHEET
As at December 31

	1999	1998
ASSETS		
Cash	$ 1,344,190	$ 546,394
Accounts receivable	5,877,194	7,526,082
	7,221,384	8,072,476
Capital assets (Note 3)	21,718	13,402
	$ 7,243,102	$ 8,085,878
LIABILITIES AND NET ASSETS		
Accounts payable	$ 6,877,395	$ 7,684,603
Net assets (Statement 2)	365,707	401,275
	$ 7,243,102	$ 8,085,878

(See accompanying notes to the financial statements)

MILK CONTROL BOARD
STATEMENT OF REVENUE, EXPENSES AND NET ASSETS
Year Ended December 31

	Budget 1999 (Note 6)	Actual 1999	Actual 1998
Revenue:			
Milk sold to processors	$105,000,000	$100,448,791	$ 94,954,588
Special Class Pool and Western Milk Pool (Note 4)	8,000,000	15,747,637	18,135,636
Milk Pool administration and assessment fees	660,000	673,180	666,701
Interest	55,000	55,178	79,052
Milk quality penalties	100,000	93,880	117,952
Licence fees and miscellaneous	5,000	3,622	57,372
	113,820,000	117,022,288	114,011,301
Expenses:			
Milk purchased from producers	113,000,000	116,196,428	113,090,224
Salaries	320,000	369,804	302,962
Milk pool administration expense	175,000	139,415	169,860
Cost of production study	40,000	25,882	23,712
Travel, sustenance and vehicle expense	75,000	126,096	75,905
Rent	40,000	45,630	35,633
Administrative expense	65,000	36,096	51,290
Employee benefits	32,000	35,640	50,429
Disposal of unsaleable milk	60,000	29,294	58,689
Honoraria	32,650	44,729	32,320
Amortization	6,000	8,842	6,737
	113,845,650	117,057,856	113,897,761
Surplus (deficit) for the year	$ (25,650)	(35,568)	113,540
Net assets, beginning of year		401,275	287,735
Net assets, end of year - to Statement 1		$ 365,707	$ 401,275

(See accompanying notes to the financial statements)

MILK CONTROL BOARD
STATEMENT OF CASH FLOWS
Year Ended December 31

	1999	1998
Cash Flows From Operating Activities:		
Cash receipts from customers	$ 118,619,011	$113,817,961
Cash paid to suppliers and employees	(117,811,496)	(114,518,359)
Other	7,439	47,831
Cash flows from (used in) operating activities	814,954	(652,567)
Cash Flows From Investing Activities:		
Purchase of capital assets	(17,158)	(5,300)
Net increase (decrease) in cash during the year	797,796	(657,867)
Cash position, beginning of year	546,394	1,204,261
Cash position, end of year	$ 1,344,190	$ 546,394

(See accompanying notes to the financial statements)

MILK CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1999

1. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

a) Accrual Accounting

The financial statements are prepared on the accrual basis of accounting.

b) Capital Assets

Office furniture and equipment is recorded at cost less accumulated amortization.

Office furniture and equipment is amortized over its estimated useful life using the straight-line method at 20% per annum.

c) Accounts Receivable and Accounts Payable

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

2. Incorporation

The Milk Control Board (Board) is continued as a body corporate under *The Milk Control Act, 1992* (Act). The Board has authority to make any regulations or orders in connection with the production, supply, distribution or sale of milk.

The Board is responsible under the Act for the control and regulation of the marketing of milk in the province. In fulfilling this responsibility, the Board operates a milk pooling system whereby the Board purchases all milk produced in the province and sells it to processors. The purchase price paid by the Board is based on the quality and quantity of milk shipped by producers and on the value of milk sold to processors. The value of milk sold to processors is determined by its final product use and prices established by the Board.

The Board is responsible for the milk purchased from producers and milk sold to processors. The necessary collections and payments are administered by the Board's agent, Dairyworld Foods Limited (Dairyworld).

3. Capital Assets

	Cost	Accumulated Amortization	1999 Net Book Value	1998 Net Book Value
Office furniture and equipment	$65,410	$43,692	$21,718	$ 13,402

4. Special Class Pool and Western Milk Pool

Effective August 1, 1995, the Board entered into an arrangement with its counterparts in Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Alberta, and British Columbia and the Canadian Dairy Commission (CDC). This arrangement provides for pooling of revenues from sales of milk components in special classes of milk sold in domestic and external markets. The Special Class Pool is administered by CDC.

Effective March 1, 1997, the Board entered into an arrangement with its counterparts in British Columbia, Alberta and Manitoba and CDC. This arrangement provides for pooling of revenues from sales of milk in all classes including the Special Class Pool amount for the four western provinces. The purpose of the arrangement is to pool producer returns as if the western provinces constituted a single market. The Western Milk Pool is administered by CDC.

Based on each province's monthly sales, CDC will either distribute a portion of, or require a contribution to, the Special Class Pool and Western Milk Pool.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Board by virtue of common control or significant influence by the Government of Saskatchewan.

Routine operating transactions with related parties are recorded at the standard rates charged by those organizations and are settled on normal trade terms. These transactions are as follows:

	1999	1998
Various expenses	$77,665	$ 88,301

In addition, the Board pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

6. Budget

The budget for the 1999 year was approved by the Board on December 15, 1998.

7. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

SASKATCHEWAN MILK CONTROL BOARD

TABLE III (Unaudited)

TOTAL WHOLE MILK REQUIREMENTS, NUMBER OF MILK PRODUCERS AND AVERAGE DAILY PRODUCTION 1998-99 (KG)

MONTH	YEAR	WHOLE MILK REQUIREMENTS	TOTAL PRODUCTION	NUMBER OF PRODUCERS	DAILY AVERAGE PER PRODUCER
January	1998	8,816,602	17,757,241	451	1,270
	1999	**7,397,846**	**17,581,802**	**409**	**1,387**
February	1998	7,236,304	16,260,621	449	1,293
	1999	**6,599,933**	**16,320,362**	**408**	**1,429**
March	1998	8,080,526	18,362,561	447	1,325
	1999	**7,624,706**	**18,295,840**	**407**	**1,450**
April	1998	7,631,813	17,786,171	445	1,332
	1999	**7,433,804**	**17,739,114**	**404**	**1,464**
May	1998	7,740,159	18,461,369	439	1,356
	1999	**7,134,869**	**18,403,677**	**403**	**1,473**
June	1998	7,644,743	17,642,183	431	1,364
	1999	**6,676,897**	**17,883,040**	**401**	**1,487**
July	1998	7,522,761	17,531,582	431	1,312
	1999	**6,401,588**	**18,161,731**	**400**	**1,465**
August	1998	7,475,636	17,364,949	419	1,337
	1999	**7,051,028**	**17,798,057**	**399**	**1,439**
September	1998	7,881,947	16,694,827	418	1,331
	1999	**6,762,383**	**16,901,305**	**400**	**1,408**
October	1998	7,823,046	16,895,913	413	1,320
	1999	**7,201,180**	**17,076,309**	**400**	**1,377**
November	1998	7,218,994	16,345,085	411	1,326
	1999	**7,183,766**	**16,581,620**	**399**	**1,385**
December	1998	7,755,072	17,236,785	411	1,353
	1999	**7,242,064**	**17,626,344**	**399**	**1,425**
TOTALS	1998	92,827,603	208,339,287	430	1,327
	1999	**84,710,061**	**210,369,201**	**402**	**1,434**
% Change		-8.74	+0.97	-6.51	+8.06

SASKATCHEWAN MILK CONTROL BOARD

TABLE IV (Unaudited)

TOTAL KILOGRAMS OF BUTTERFAT SHIPPED IN SASKATCHEWAN BY MONTH AND DAIRY YEAR

Month	1995/96	1996/97	1997/98	1998/99
August	632,322	598,064	633,340	597,282
September	613,769	585,118	623,199	600,376
October	638,950	612,521	649,227	628,317
November	616,606	589,943	622,716	610,613
December	638,378	617,580	644,142	634,519
January	636,197	627,465	646,282	644,745
February	599,647	580,895	588,522	592,902
March	651,346	652,966	667,114	662,506
April	621,493	641,834	641,526	637,674
May	631,491	660,277	652,221	658,346
June	596,273	631,822	615,554	624,687
July	602,355	639,580	604,806	632,366
Total	**7,478,827**	**7,438,065**	**7,588,649**	**7,524,333**

SASKATCHEWAN MILK CONTROL BOARD

TABLE V (Unaudited)

MARKET SHARE QUOTA UTILIZATION BY DAIRY YEAR

		INDUSTRIAL MILK [1]			INDUSTRIAL CREAM	
	YEAR	AVERAGE TEST	MILK KG	BUTTERFAT KG	BUTTERFAT KG	TOTAL KG MONTH BUTTERFAT
August	1997	3.43	9,137,901	313,430	815	314,245
	1998	**3.44**	**8,343,779**	**287,026**	---	**287,026**
September	1997	3.58	8,089,106	289,590	1,027	290,617
	1998	**3.60**	**7,418,806**	**267,077**	---	**267,077**
October	1997	3.72	7,768,844	289,001	606	289,607
	1998	**3.72**	**7,127,527**	**265,144**	---	**265,144**
November	1997	3.76	7,490,160	281,630	493	282,123
	1998	**3.74**	**6,992,620**	**261,524**	---	**261,524**
December	1997	3.68	7,878,750	289,938	351	290,289
	1998	**3.68**	**7,420,217**	**273,064**	---	**273,064**
January	1998	3.64	7,619,780	277,360	281	277,641
	1999	**3.67**	**7,971,526**	**292,555**	---	**292,555**
February	1998	3.62	7,570,331	274,046	256	274,302
	1999	**3.63**	**7,509,229**	**272,585**	---	**272,585**
March	1998	3.61	8,916,446	323,667	347	324,014
	1999	**3.62**	**8,339,558**	**301,892**	---	**301,892**
April	1998	3.61	8,792,548	317,411	229	317,640
	1999	**3.59**	**8,342,284**	**299,488**	---	**299,488**
May	1998	3.53	9,239,093	326,140	252	326,392
	1999	**3.58**	**8,966,089**	**320,986**	---	**320,986**
June	1998	3.49	8,626,562	301,067	21	301,088
	1999	**3.49**	**8,696,332**	**303,502**	---	**303,502**
July	1998	3.45	8,419,333	290,467	---	290,467
	1999	**3.48**	**8,629,713**	**300,314**	---	**300,314**
TOTALS	1997/98	3.59	99,548,854	3,573,747	4,678	3,578,425
	1998/99	**3.60**	**95,757,680**	**3,445,157**	---	**3,445,157**[2]

[1] Includes all milk utilized for industrial purposes.

[2] Market Share Quota allocated to Saskatchewan for the 1998-99 dairy year was 3,476,163 kilograms of butterfat

SASKATCHEWAN MILK CONTROL BOARD

TABLE VI (Unaudited)

TOTAL SALES OF MILK & CREAM IN LITRES BY SIZE OF CONTAINERS JANUARY 1, 1999 - DECEMBER 31, 1999

SIZE OF CONTAINERS	YEAR	FLUID MILK PRODUCTS	% OF TOTAL	CREAM	% OF TOTAL	TOTAL ALL PRODUCTS	% OF TOTAL
20 LITRES	1998	597,760	.68	18,700	.63	616,460	.68
	1999	**503,380**	**.63**	**12,280**	**.44**	**515,660**	**.62**
15 LITRES	1998	901,055	1.03	-----	---	901,005	1.00
	1999	**805,740**	**1.01**	-----	---	**805,740**	**.98**
10 LITRES	1998	20	-----	135,830	4.57	135,850	.15
	1999	**30**	-----	**192,270**	**6.95**	**192,300**	**.23**
4 LITRES	1998	37,446,940	42.76	------	------	37,446,940	41.36
	1999	**38,090,688**	**47.69**	------	------	**38,090,688**	**46.10**
2 LITRES	1998	38,530,830	44.00	------	------	38,530,830	42.55
	1999	**31,983,920**	**40.05**	------	------	**31,983,920**	**38.71**
1 LITRE	1998	7,097,581	8.11	648,773	21.82	7,746,354	8.55
	1999	**5,716,965**	**7.16**	**647,926**	**23.40**	**6,364,891**	**7.70**
500 ML.	1998	1,601,635	1.83	1,242,405	41.79	2,844,040	3.14
	1999	**1,438,544**	**1.80**	**1,045,007**	**37.75**	**2,483,551**	**3.01**
400 ml	1998	--------	------	------	------	------	------
	1999	**20,575**	**.02**			**20,575**	**.02**
375 ML.	1998	8,640	.01	------	------	8,640	.01
	1999	**12,289**	**.02**	------	------	**12,289**	**.01**
250 ML.	1998	1,307,042	1.49	221,807	7.46	1,528,849	1.69
	1999	**1,199,400**	**1.50**	**172,909**	**6.25**	**1,372,309**	**1.66**
200 ml	1998	------	------	------	------	------	------
	1999	**835**	------	------	------	**835**	------
120 ML.	1998	63,484	.07	------	------	63,484	.07
	1999	**70,298**	**.09**	------	------	**70,298**	**.09**
114 ML.	1998	42,860	.05	------	------	42,860	.05
	1999	------	------	------	------	------	------
CREAMETTES	1998	21,179	.02	705,622	23.73	726,801	.80
	1999	**20,413**	**.03**	**697,936**	**25.21**	**718,349**	**.87**
TOTALS	1998	87,576,116	100.00	2,973,137	100.00	90,549,253	100.00
	1999	**79,863,077**	**100.00**	**2,768,328**	**100.00**	**82,631,405**	**100.00**

SASKATCHEWAN MILK CONTROL BOARD

TABLE VII (unaudited)

SCHEDULE OF BASIC TRANSPORTATION CHARGES BASED ON PRODUCER MONTHLY PRODUCTION

KG PRODUCED MONTHLY	1999
Min. Charge - 9,000	**$1.275**
9,001 - 13,600	**1.245**
13,601 - 18,100	**1.215**
18,101 - 22,600	**1.170**
22,601 - 27,200	**1.154**
27,201 - 31,700	**1.139**
31,701 - 36,200	**1.125**
36,201 - 40,800	**1.110**
40,801 - 45,300	**1.094**
45,301 - 49,900	**1.079**
49,901 - 54,400	**1.066**
54,401 - 58,900	**1.048**
58,901 - 63,500	**1.034**
63,501 - 68,000	**1.020**
68,001 - 72,600	**1.003**
72,601 - 77,100	**.990**
77,101 - 81,600	**.974**
81,601 - 86,200	**.943**
86,201 - and over	**.943**

Distance to be based on the air kilometres between the producer and a point determined by the Milk Control Board.

Haulage rate based on kilometres plus volume formula.

SASKATCHEWAN MILK CONTROL BOARD

THE MILK CONTROL BOARD, 1999 PERSONAL SERVICES (unaudited)

Listed are individuals excluding unionized employees, who received payments for salaries, taxable benefits, honoraria, travel, etc., which totalled $2,500 or more.

	Salaries & Benefits	Travel	Total
Staff			
Stan H. Barber	$ 94,851.00	$32,443.05	
Robert J. Ford	76,119.00	6,146.74	
Mary Ann Costron	41,061.00		
Jerry A. Frass	54,291.00	2,859.51	
Unionized Employees	68,220.00		
Accrued Vacation	35,712.16		
Other		471.27	
	$370,254.15	$41,920.57	$412,174.73
	Honoraria	**Travel**	
M.C.B. Members			
Leonard Blocka	$ 5,696.25	$ 14,001.31	
David Christensen	2,993.44	3,132.67	
Leo Fuhr	18,330.00	28,042.73	
Lee Ann Tessier	3,603.75	3,890.79	
	$ 30,623.44	$ 49,067.50	$ 79,690.94
Dairy Industry Committee			
Leo Bertoia	$ 3,720.00	$ 15,293.43	
Henry Friesen	4,446.56	14,209.89	
Other	5,938.43	5,604.82	
	$ 14,104.99	$ 35,108.14	$ 49,213.13

Supplier Payments:

Listed are payees who received $20,000 or more for providing goods and services including office supplies, advertising, contracts and equipment, etc.

Payments to producers	$116,196,428.43		
Dairyworld Foods	97,675.30		
Agriculture and Food	41,740.00		
Wheatland Accounting	25,882.24		
O & Y Enterprise Saskatchewan	36,041.48		
Payees under $20,000	119,009.38		
	$116,516,776.83		
GRAND TOTAL	$116,931,759.42	$126,096.21	$117,057,855.63